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Abstract:	

From market-driving to market-driven: an analysis of Benetton's strategy change and its implications for long-term performance

Abstract

Purpose – This paper extends the literature on market-driven and market-driving management and analyzes the Benetton's market orientation change from a market-driving to a market-driven orientation. Additionally, this study uses longitudinal data to measure the degree of success of the market-driven orientation.

Design/methodology/approach – The study is based on a qualitative case study method and it discusses how Benetton has moved from a market-driving to a market-driven orientation.

Findings – The article analyzes the principal transformations the Benetton Group has gone through to implement a market-driven orientation, including the delocalization of the manufacturing and of trusted suppliers; the downstream integration process; the adoption of a flexible, efficient and responsive logistics; the implementation of a modern information systems infrastructure. Revenues data show that the company has benefited of the new orientation, but only in the short-run. Moreover, the early adoption of the market-driven orientation by competing firms (e.g., Zara) and the economic environment seem to play an influence on the performance of market-driven companies.

Research limitations/implications – The single case study approach may limit the generalizability of the findings. However, this case study is unique and of high importance for managers in different industries.

Originality/value – Although some studies have discussed the benefits of market-driven and market-driving orientations, no study has analyzed how companies move from a market-driving to a market-driven orientation. Additionally, existing studies have proved market orientation's influence on business performance using static measures. This study uses longitudinal data to show the effect of market-driven orientation on a company's long-term competitive advantage.

Paper Type – General Review

Keywords market-driven orientation; market-driving orientation; organizational change; Benetton Group; fashion industry.

Introduction

The double-dip recession, the growth of low cost retailers, and the capability to rapidly satisfy ever changing consumer fashion needs are three different but intertwined factors which are reshaping the map of competition in the fashion industry. Today's fashion market place is highly competitive and companies need to constantly "refresh" product ranges within a store to adapt to volatile fashion trends (Christopher, Lowson and Peck, 2004). Market-driven companies such as Zara and H&M seem to master this capability to match customer requirements in real time by offering trendy items at affordable prices. A market-driven orientation has been proved to be positively related to business performance in all types of markets (Narver and Slater, 1990; Jaworski and Kohli, 1993; Slater and Narver, 1994). Market-driven companies are those companies that generate and disseminate market intelligence across the different levels of an organization (Kohli and Jaworski, 1990; Narver and Slater, 1990; Day, 1994). However, scholars have argued that to be successful companies need to adopt a more proactive attitude towards the business environment, namely a market-driving orientation (Jaworski, Kohli, and Sahay, 2000). Market-driving firms are those firms who focus more on their capacity to achieve competitive advantage by redrawing the structure of a market and/or behaviours of its players through breakthrough innovations (Slater and Narver, 1998; Jaworski et al., 2000; Kumar, Sheer, and Kotler, 2000).

Research in marketing has mostly focused on measuring the benefits of a market-driven orientation (e.g., Narver and Slater, 1990; Jaworski and Kohli, 1993; Deshpandé, Farley, and Webster, 1993; Slater and Narver, 1994; Kirca, Jayachandran and Bearden, 2005; De Luca and Atuahene-Gima, 2007; Kumar et al., 2011); however, scholars have not discussed how companies switch from one orientation to another. In particular, no study has analyzed the key organizational changes that enable an organization to pass from a market-driving to a market-driven orientation. Increasingly, the existing studies that have measured the effect of a market-driven orientation for business performance have mostly used static figures so nothing is known about the long-term benefits of market-driven orientation (Kumar et al., 2011). Moreover, the existing studies have not investigated if having a market orientation benefits a company even when other competitors pursue a market-driven orientation. The present study attempts to provide an answer to these research questions and focuses on global manufacturers in the fashion industry. The paper adopts the case study method and focuses on the Benetton group, a typical market-driving company (Kumar et al., 2000), which have started a process of reorganization with an attempt to imitate competitor's (Zara, H&M, etc.) market-driven orientation. The aim of the paper is threefold: first, it narrates the history of the Benetton Group focusing on the characteristics which make Benetton a market-driving company; second it aims to describe the main transformations the Benetton Group has gone through in order to implement the market-driven orientation; third, it attempts to provide an indication of the long-term benefits of the market-driven orientation.

Market driven and market-driving orientations

A market orientation is the firm's organizational culture. According to Deshpandé and Webster (1989, p.3), a market orientation is 'a fundamental shared set of beliefs and values that put the customer in the centre of the firm's thinking about strategy and operations'. Narver and Slater (1990, p.21) state that market orientation is 'the organization culture that most effectively creates the necessary behaviours for the creation of superior value for buyers and thus a continuous superior performance for the business'. There are four main orientations to marketplace: *sales driven, market driven, customer driven,* and *market driving* (Kumar et al., 2000). In this paper we focus on both the *market-driving* and the *market-driven* orientation, which have received the most attention of scholars in the last few years (Kumar et al., 2000). Market-driven companies are those companies that generate and disseminate market intelligence across the different levels of an organization (Narver and Slater 1990; Kohli and Jaworski, 1990; Jaworski and Kohli, 1993; Day, 1994; Sinkula, 1994; Hult, Ketchen, and Slater, 2005). Jaworski et al. (2000, p.47) define market-driven management as the activity of 'learning, understanding, and responding to stakeholder perceptions and behaviours within a given market structure'. Market driven refers to a business orientation that is based on understanding and reacting to the preferences and behaviours of customers within a given market structure through conducting market research and delivering incremental innovations. This orientation is strongly linked with the acquisition of information and knowledge about customers and competitors, which enable the firm to generate product innovation (e.g., Li and Calantone, 1998; De Luca and Atuahene-Gima, 2007) and to sustain a competitive advantage (Day, 1994). The firms' responsiveness to market needs depends on the propensity to act based on the knowledge acquired from the market (Jaworski and Kohli, 1993). Several studies have proved that a market orientation is positively related to business performance in different markets (Narver and Slater, 1990; Ruekert, 1992; Jaworski and Kohli, 1993; Deshpandé et al., 1993; Slater and Narver, 1994; Pelham and Wilson, 1996; Rodrigues and Pinho, 2012). However, existing empirical studies that provide support for the benefits of market-orientation are mostly based on cross-sectional databases and only provide a static snapshot of a business performance (Kumar et al., 2011). Additionally, research has also established that the market-driven orientation does not guarantee a sustainable competitive advantage (Johnson, Lee, Saini and Grohmann, 2003; Slater and Narver, 1995). Hamel and Prahalad (1994) argued that the market-driven approach leaves the organization open to the tyranny of the served market in which managers see the world only through their current customers' eyes. Berthon, Hulbert, and Pitt (1999) suggest that being market oriented detracts from innovation. To this regard, Christensen and Bower (1996, p.198) stated: 'firms lose their position of industry leadership…because they listen too carefully to their customers'. The common theme among the criticisms is that businesses pay a penalty for being market oriented. Likewise, while a strong market orientation is indicative of a propensity to innovate, it is not necessarily indicative of successful innovation (Jaworski and Kohli, 1993). In order to induce changes in the behaviors of customers and competitors, simply being receptive to current market trends through market sensing abilities is not sufficient to sustain innovation (Jaworsky, Kohli, and Shay, 2000; Johnson et al., 2003).

It has been suggested that in order to achieve a superior business performance, firms need to actively influence the market (Child, 1972; Pfeffer and Salancik, 1978; Weick, 1995) rather than being only ready to react to it (Lawrence and Lorsch, 1967). To shape the market, scholars have found that a *market-driving* orientation is better able than a market-driven orientation to gain a sustainable advantage by changing the structure or composition of a market and/or behaviours of its players (Slater and Narver, 1998; Jaworsky et al., 2000). Market-driving firms are more likely to be incumbent firms, as established firms find it difficult to generate and launch radical innovations (Kumar et al., 2000). In fact, established firms tend to be more bureaucratised, routinized, and risk averse than incumbent firms (Kumar et al., 2000). Accordingly, market-driving firms are those firms that achieve breakthrough technology or breakthrough marketing and include firms such as Ikea, Benetton, Tetra Pak, Body Shop, Starbucks (Kumar et al., 2000). In order to breakthrough innovations, market-driving firms coalesce around visionaries rather than around traditional market research, redraw industry segmentation by attracting new segments, and overwhelming customer expectations. This orientation goes beyond satisfying customers' expressed needs and recommend companies to proactively analyze and satisfy the latent and unarticulated needs of customers. To this regard, market-driving companies work to discover latent needs by observing customers' behaviour in context to uncover new market opportunities, by working closely with lead users, by undertaking market experiments to discover future needs, and by cannibalizing sales of existing products (Jaworski et al., 2000; Narver, Slater, and MacLachlan, 2000). Vision and creativity are two fundamental key-assets in the market-driving orientation. Innovation is a pre-requisite for creating customers and this is consistent with the 'forward sensing' approach, in which market sensing is aimed to acquire state of the art knowledge which allows firms not only to be responsive but also to generate new concepts and ideas that alter the market structure (Harris and Cai, 2002). Kumar et al. (2000) state that over time even successful market-driving firms change, as they should, into market-driven firms. However, the marketing literature does not discuss how this change of orientation is implemented by companies. Additionally, the benefits of market-orientation are more likely to be observed in the long period rather than in the short period, however only few studies have used longitudinal data (Kumar et al., 2011). Thus, still nothing is known about the long-term relationship between market orientation and organizational performance (Kumar et al., 2011). Increasingly, does a market orientation still provide a competitive advantage if the firm's competitors are also market-oriented? In particular, if a company adopts a market-driven orientation following its competitors, does this orientation change still benefit the company?

This paper aims to extend the literature on market-driven and market-driving orientations. The goal of this paper is twofold: first, the study attempts to provide an analysis of the key-factors that enable the strategy change from a market-driving to a market-driven orientation, by describing the strategy change at Benetton, a company that is renowned in literature for pursuing a market-driving strategy (Kumar et al., 2000). Second, it discusses the results in terms of financial performance achieved by Benetton through this transformation taking into account the importance of the market orientation of competing firms.

Methodology

A qualitative approach has been adopted as the study aims at building theory and enables to investigate a large number of variables (Eisenhardt, 1989). A case study method has been adopted because the phenomenon under investigation is new and it is hard to find similar cases and researches on this topic (Eisenhardt, 1989).

Moreover, the scope of the study is to analyze the strategy change occurring at Benetton. Strategy change plans have a medium/long-term horizon; therefore a quantitative snapshot at a specific point in time would not be effective to analyze the phenomenon. Increasingly, one of the purposes of this study is to investigate the relationship between market-driven orientation and business performance using longitudinal data. Therefore, the qualitative approach is the best to study the evolution of this phenomenon.

Case studies can involve either single or multiple cases (Yin, 2003). A single case study method has been adopted and the Benetton Group has been chosen because it is a rare and unique example of a typical market-driving multinational company (Kumar et al., 2000) that has recently gone through a reorganization, which has transformed its orientation to the market. The strategy of Benetton has always been aimed to drive market needs, rather than reacting to them. This orientation was achieved through its strong commitment to innovation at every stage of the value chain and to its innovative advertising campaigns (Kumar et al., 2000).

According to Yin (2003), there may be descriptive, exploratory, and explanatory case studies. The present case study is descriptive as it analyzes the orientation of the Benetton group through the review of its history, and the recent transformations implemented by the company to change its market orientation.

Through the help of online and archival sources, books, reports, online interviews, and the published autobiography of the main entrepreneur, this paper examines the key-elements that characterize Benetton's market-driving orientation and describes the company's market orientation change from a market-driving to a market-driven orientation. Moreover, financial reports have been used to collect secondary data about the company's revenues in the years preceding and following the strategy change. The analysis of the market-orientation of the main competitor, Zara, is also added to this paper in order to not exclude the competitive scenario, which is key to understand Benetton's market-orientation change.

The Benetton Group - History

Early days

The Benetton Group is about to celebrate its 50th anniversary. Many things have changed from 1965, when the 'Maglierie di Ponzano Veneto dei fratelli Benetton' was founded in a small village in the province of Treviso (Ponzano Veneto) by the four Benetton brothers: Luciano, Gilberto, Giuliana and Carlo. The Benetton's family was poor and the province of Treviso was one of the poorest areas in Italy in the 60s. Gilberto Benetton was the first of four sons, and early at the age of 14 years old he had to start to work as assistant in a textile shop to support the family after his father's death. The history of the Benetton's company as we know it today started when Giuliana, the Gilberto's sister, manufactured a yellow jumper for his older son (Benetton and Lee, 1990). When Gilberto's friends started to ask him for a similar jumper, he suddenly understood the commercial potential behind coloured jumpers. Brightly coloured jumpers were very attractive and unusual in the late 60s; the Benetton's coloured pullover was innovative since existing jumpers were dressed under the jacket and all had dark colours. Coloured pullover was a dramatically different value proposition from the traditional dark coloured pullovers offered by existing companies. The company started his activity by producing sweaters for local independent retailers in Italy. In 1966 Benetton opened his first shop in Belluno but soon expanded across all Italian regions.

Expansion

At the end of the 80s, Benetton started to expand across Europe in order to face the difficulties deriving from the saturation of the Italian market (Favero, 2005). During these years the company abandoned its family-management style and started to recruit managers from outside the company. The company was also quoted in Milano's stock's exchange in 1986 and later in the Frankfurt (1988) and New York Stock's Exchanges and started to expand in Japan and Usa. In the attempt of minimizing risks and maximizing profits, Benetton adopted a precautionary step-by-step entry strategy, first licensing local producers to use its trade mark, then entering in joint venture with them, and finally establishing a local branch of the company only when the market was considered to be profitable enough. At the end of the 80s, the Benetton Group started the process of horizontal integration in the value chain, by acquiring important textile and knitting factories in several Italian provinces through the affiliated company Olimpias.

The market-driving company

The history of the company is characterised by many changes that have shaped and revolutionized the fashion industry. Below we analyze the main innovations introduced by the company, which show a constant attempt to drive the market, namely the redesign of the shops layout, the creation of the quasi-franchising system, innovative suppliers' relationships, the postponement strategy, and the social advertising.

Shops layout

A first important innovation carried out by the company was the reconceptualization of the layout of fashion retailers' shops. When the Benetton group started its business, all shops had counters with workers showing products to their customers. Benetton removed the counter from his shops, so that customers could easy see the products and the shops did not need many staffs to assist clients. This innovation guaranteed lower staff costs and higher margins to independent retailers.

Retailer relationships and the quasi-franchising system

Another important innovation introduced by the Benetton group is the *quasi-franchising* system that was developed to manage the relationships with retailers. This system consisted in bypassing wholesalers and in selling directly to retailers. Other characteristics of this system include: the absence of a formal contract between the company and its retailers, and the payment of royalties was not requested (Favero, 2005). In dealing with retailers the Benetton's did not ensure the exclusivity of the distribution of products in a specific geographical area, they did not repurchase unsold products, but they suggested the prices of products and imposed the layout of the store (Favero, 2005). This innovative system to deal with retailers enabled the company to expand across Italy without having to sustain huge investments.

Supplier relationships

In the 80s and 90s the main part of the manufacturing was made by hundreds of subcontractors located in the textile industrial district in the province of Treviso, in the Veneto region (Nardin, 1987; Benetton and Lee, 1990). The rest of the production was manufactured in the two factories of Villorba and Monzambano, where also the design and the quality control took place. As well as with retailers, the relationships with suppliers and subcontractors were aimed at maximizing profits, minimizing financial risks, and sustaining a fast growth. Benetton used to pay subcontractors less than other manufacturers however there was a strong relationship of trust between the suppliers and the Benetton's family. Suppliers could benefit of regular orders, moreover the company transferred technologies and *know-how* to suppliers and so profit margins were guaranteed and the plant could work at full production capacity (Brusco and Crestanello, 1995; Crestanello, 1996). As Martin, Mitchell, and Swaminathan (1995) pointed out, strategy theorists tended to view suppliers and buyers primarily as antagonists seeking to appropriate the profits of existing business activities in an industry chain. However, Benetton used a different approach to deal with suppliers by leveraging their skills and knowledge and by advising them on new technologies. Moreover, the company provided them with financial assistance through its leasing and factoring company (Dapiran, 1992). The activity of the company drove the creation of a whole textile industrial district in the province of Veneto made by thousands of small and medium-sized enterprises.

The Postponement strategy innovation

The Benetton Group's innovative "postponement" idea can be considered one of the latest innovations and probably the antecedent of the fast fashion philosophy. Postponement is a strategy that enables to match colour trends during the season, the colours of products are *postponed* until the customer requirements are known (through an EDI system) and once they are known, the garments are assembled according to fashion trends (Dapiran, 1992). Benetton internalised the dyeing process to take full advantage of its dyeing know how, while subcontractors were used for finishing operations (Dapiran, 1992). For example, a Benetton's sweater would be stitched and assembled from its grey original yarn, and then based on the distribution network's feedback on the colours that are being sold most the sweater was dyed at the very final stage of production. Retailers ordered plain sweaters in advance and then specify the colours during the selling season. The dyeing postponement process allowed a drastic reduction of costs due to less expensive inventories and to a smaller unsold stock and provided the company with the advantage of a rapid response to the fashion trends on colours. The postponement process was limited to colours and based on the traditional fashion-retailing model, which was seasonal, and typically made-up of two seasonal launches: Spring and Autumn collections. Independent fashion retailers would buy for these collections from their suppliers' network, a year in advance, and allow for between 20%-30% of their purchasing budgets open to specific fashion changes in the market.

Advertising and brand innovations

The global expansion of the brand was favoured by the unconventional advertising campaigns of photographer Oliviero Toscani, which created a multi-ethnical and unique image for the brand, which became rapidly well-known all over the world. The Benetton's campaigns revolutionised the style and language of advertising. In the 1984 campaign 'All the Colours of the World', Toscani introduced the 'United Colors of Benetton' slogan, explicitly associating the company's brand identity with the values of peace, racial equality, and multi-ethnicity. Toscani's shocking and controversial print advertising campaigns often disconcerted for the subject of images, such as the advert depicting a nun kissing a priest, or the newborn baby still attached to the umbilical cord, or a war cemetery photo that was circulated on occasion of the Gulf-War outbreak. Toscani created the concept of social advertising (Favero, 2005), in which the company pursued a social-political responsibility by communicating to target audiences about important social issues such as drugs abuse, racism, and war. In these campaigns the brand and the product was always in the background while the social message was put in the foreground. The target of Toscani's communications is an active, intelligent, receiver and the goal of advertising is to make people thinking and talking about social issues. Thanks to Toscani's advertising, the Benetton brand was immediately associated with the values, opinions, and ideas in vogue among a large part of the young generation of the time. Because of their controversial nature, these campaigns led the mass media around the globe to talk about them, with huge returns in terms of free publicity. Toscani's campaigns transformed the Benetton brand into one of the most known and popular brand in the world (Favero, 2005; Edmondson, 2003). However, the relationship between the company and Toscani deteriorated in 2000 when, after a campaign against the death sentence, the photographer and the company were sued by the state of Missouri and criticized by the families of the inmates' victims. This event prompted retailer Sears, Roebuck & Co. to cancel a multimillion-dollar contract to sell Benetton's clothes in 800 of its department stores, which lead to Toscani's resignation from the job.

The new competing environment and the rise of market-driven companies

In the 90s international incumbents such as Zara, started to erode Benetton's market position (Barela, 2003). The rigidity of Benetton's approach to distribution did not enable the company to rapidly match changing customer's needs, a capability that was perfectly managed by competitors such as Zara and H&M, due to a total control of the retail-chain (Edmondson, 2003; Barela, 2003). Benetton had lost the opportunity to benefit of the advantages linked with owning retailers and being able to install information systems that would have enabled the transfer of sales information in real time. As stated by Branchini, president of Milan consultancy InterCorporate: '…93% of Benetton's sales come from franchise operations. Zara and H&M, in contrast, own their shops, which make it easier to install unified systems that track global sales electronically' (Edmondson, 2003). As declared by Silvano Cassano, who took over as the Benetton Group's CEO in 2003, the company was not exploiting the technological transformation occurring in the industry: "We didn't take advantage of the quick transformation of the industry".

Fast-fashion

The market-driven orientation is implemented also through the *fast fashion* concept in the fashion industry. The fast fashion concept indicates how some European fashion retailers are adopting effective strategies for answering in real time to consumer fashion trends, revolutionizing the fashion industry. Fast fashion necessitates that companies own an increasing number of shops worldwide, so that through the information infrastructure they can connect the consumer demand with the upstream of design, procurement, production, and distribution. To be successful fast fashion companies require a fast and highly responsive supply-chain. Finally, fast fashion companies achieve short development cycles, rapid prototyping, small batches and variety so customers are offered the late trends in small amounts (Tokatli, 2008). Fast fashion is a strategy that has been developed to deal with constant changes in fashion trends. Fast fashion brands have created a system that is able to monitor and match consumer requirements and trends in real time. Many experts in the industry see Zara as the classic illustration of the fast fashion concept in operation (Bruce and Daly, 2006; Tokatli, 2008).

Zara: fast-fashion in operation

Zara is the main brand of the Inditex group, a global fashion retailer created by Ignacio Amancio Ortega in Galicia, which is one of the poorest regions of Spain. This group adopts a multi format strategy with different store brands targeting different customers' target such as Pull & Bear, Massimo Dutti, Bershka, Zara Home, Oysho, Uterque, and Stradivarius. Zara operates in five Continents with 5,527 stores in 82 markets (Zara, 2011). It has become very hip all over the world, for its value for money, and stylish designs. The chain is building large number of brand devotees because of its fashionable designs that are with the very latest trends and a very convincing price-quality offering. Zara's "fast fashion" is the emphasis of putting fashionable and affordable design concepts matching consumer demand onto the high street as quickly as possible.

The company can get a new garment from design, through production and ultimately on the shelf in a mere 10-15 days whereas the average lead-time for the fashion industry typically ran into several months. Zara's business model tries to fulfil real time fashion retailing and not second-guessing what consumers' needs are for next season, which may be six months away. As a result of Zara utilising this ultraresponsive supply chain, 85% of their entire product range obtains full ticket price, whereas the industry norm is between 60% and 70%.

Zara's garments are produced in small amounts, so as not to be over exposed, if a particular item is a very poor seller. If a product is a poor seller, then it is removed after as little as two weeks. Roughly 10% of stocks fall into this unsold category, in direct contrast to industry norms of between 17%-20%. Stock are seen as assets which are extremely perishable and that if they are sitting on shelves or racks in a warehouse, they are simply not making money for the organization.

Another important strategy of Zara's "fast fashion" philosophy is to frequently supply new items to retailers' shops. These 'fresher' product ranges stimulate shoppers into frequenting these stores on a more regular basis, on an average of 17 times a year (Pearlson and Saunders, 2010). Through increased stock replenishment of new fashionable items, these stores are developing brand images for being cutting edge, trendy, and fashionable. The group's basic business philosophy is to attract customers with the latest fashion at attractive prices. For the "fast fashion" concept to be successful, it requires close relationships between suppliers and retailers, information sharing, and the utilisation of technology. Information is utilised along the entire supply chain, as to what is in demand. Zara managers in the retailing units transmit hard and soft information about sales and consumers needs to the designers at headquarters so that they know what customers want or are demanding (Tokatli, 2008).

The resulting increased consumer footfall in shops eliminates the need for large expenditure on advertising and promotion. In fact, Zara does not undertake any conventional advertising. Zara locates its stores in prime commercial areas and adopt the same layout for all its shops; the store itself is the company's main promotional vehicle.

Zara utilise a vast network of suppliers, so that their stores are replenished with the latest designs. Originally, Zara used to source all of its garments from Spain but it is increasingly outsourcing the manufacturing activity to Eastern Europe countries, especially Turkey and Morocco where the cost of production is low and suppliers have gained the competence to manufacture intricately worked high-quality garments with the required flexibility and at high speeds (Tokatli, 2008). Thus, Zara adopts a hybrid approach, sourcing basics (e.g. t-shirts) from the Far East, and sourcing closer to markets for more fashion oriented lines.

Fast fashion has been adopted also by other global fashion retailers, such as H&M, Mango, Gap, and Next. The successful adoption of the "fast fashion" concept by these international retailers has drastically altered the competitive landscape in the apparel retailing. Consumers' expectations are also rising with these improved retail offerings. Clothes shoppers are seeking out the latest fashions at value for money prices, in enticing store environments. Now other well-established high street fashion retailers have to adapt to these challenges, being more responsive, cost efficient, speedy, and flexible in their operations.

The Benetton Group from market-driving to market-driven

Until 2000 Benetton was considered a typical market-driving company, leveraging its controversial advertising to generate loads of free publicity and to develop a global and unique brand image which aroused strong feelings among those target audiences who supported and among those who were against Benetton's social campaigns (Kumar et al., 2000, p. 134; Elg, 2007).

However, at the beginning of 2000, market-driven competitors started to challenge the market leader position of Benetton in Italy by opening new shops in the main Italian cities. At the same time, Benetton's revenues and market share started to decline. Thus, the model of the global manufacturer that start its value creation process from the designers' table and that invest heavily in advertising for driving customer's tastes had become obsolete. Soon the Benetton Group had to realize that its market-driving approach was ineffective to cope with the changes occurring in the business and competitive environment in which market-driven firms were rapidly acquiring increasing market shares.

This imposed a strategy change which necessitated Benetton to become more competitive in terms of satisfying consumer needs in a more rapid and effective way. As stated by Alessandro Benetton, the executive vice-president of the group: '…there is a level of competition which is very high and very much focused on speed and ability to face every single market with its own differences. In this respect I think we have done a lot in the last couple of years and so we can provide much more collections and faster re-assortment at the store level. So we are very much contemporary from this point of view' (Cem, 2007).

Consequently, from 2002 the need to monitor and answer quickly and effectively to customer needs have become the most important objective of the company. In order to achieve these goals the company has urged to reshape its operations strategy by focusing on speed and quality, and reduced time-to-market. Investments in advertising have declined dramatically in favour of investments in: information technology, process reengineering, staff training, delocalization and real estate (Benetton

Financial Report, 2003-2006). Owning the shops was in fact paramount to install advanced information systems so to be able to transfer strategic information about consumer fashion trends in real time. Creativity in design has been supplanted by sales' forecasting and planning that work for responding to the market in a timely manner through the reduction of productions time.

The Benetton Group has implemented these changes which have fostered a change in its market orientation from a market-driving to a market-driven one. The Benetton's market orientation change has been achieved through a series of transformations occurring at the different levels of the value chain, including: the downstream integration, the adoption of a modern information infrastructure, the introduction of automated logistics and of a warehousing multi-hub model, the delocalization of the manufacturing while keeping relationships with trusted suppliers. Below we describe each in detail.

1st change: Downstream integration and entry in emerging markets

The first transformation is the acquisition of retailer shops and the opening of new store formats in different capitals. The complete downstream integration process was started in November 1999 ('Retail Project'). At the end of 2002 Benetton owned less than 100 megastores worldwide. The downstream integration process was accelerated from 2002 with the opening of new megastores in many emerging countries, which are actually sustaining Benetton's growth (Benetton Financial Report, 2007-2011). The company acquired retailer shops with the attempt to increase the control over the value chain, and most importantly, to access and redistribute daily reliable information and data about sales. This was a critical change in Benetton's traditional licensor's role and it was accomplished to better respond to market changes. Thus, Benetton has dramatically increased investments in new stores, which in 2008 accounted for 22% of total sales. The following markets are strongly contributing to the company's revenues in the last years: India, China, Russia, Mexico, and Turkey. The increased number of shops has called for a restructuring of the supply-chain management process. The management of the distribution has been committed to a centralized Retail Unit, which also serves to connect the various units throughout the world. In order to rationalize the structure of the organization, the commercial department has been redesigned around the two main sales' channels: wholesale distribution and the retail chain. Benetton has committed the management of relationships with proprietary retailers to business area mangers, while independent sales representatives deal with wholesalers. The role of these managers is to coordinate the production activities of a group of SMEs, often setup and managed by ex-Benetton employees or Italian subcontractors.

Investments were also made to facelift the owned shops as according to Cassano "They are too lifeless and cold. They need more excitement" (Edmondson, 2003). In order to satisfy consumers demand for bigger, brighter and more friendly stores (Barela, 2003), Benetton's new shops are bigger than the previous ones, the average area increased from 50 to 200 square meters and the displayed products continuously rotate in order to increase customers' footfall into stores. New *megastores* with similar formats were opened by the company in big cities all over the world (Ivey, 2002) and mainly located in strategic traffic areas, imitating the strategy of his direct competitor, Zara.

2nd Change: Information Infrastructure

The Benetton Group has made huge investments to modernise its information systems infrastructure, which represent the new central nervous system of the firm's network. In 1984, the company was already planning to introduce a new IT infrastructure which would have enabled the company to access instant data on sales and other information from retailers, an aspect that is paramount within market-driven firms. However, the project failed because of the resistance of shopkeepers and agents, who saw the project as a threat to their autonomy (Rullani and Zanfei, 1988). The launch of the new information system infrastructure, named 'Phoenix project', links together production, logistics and retailing. An Oracle platform is used for communicating with retailers, the system manages the main processes (financial planning and management of both corporate and stores activities) globally through a single centralized system. In particular, orders for continuative products are entered directly, and through the integration with the information systems of the production and logistics units, the system provides immediate confirmation and guaranteed delivery times (first in, first out, FIFO).

The system acquires information on sales from owned retailers, then these data are analyzed and production schedules are rapidly sent to manufacturers. The goods are sent to the main Benetton stock centres and then distributed all over the world.

The traditional forecast-based way of responding to customer demand implies relevant risks of over-stocked or under-stocked situations (Christopher, Lowson and Peck, 2004). This process has been supplanted by giving a renewed importance to market trends at the start of the production process. The information flow is changed too, from a unidirectional flow from the headquarters to plants (for manufacturing) or from the retailers to the company (for orders) to a two-way flow, through which Benetton can flexibly adjust production requirements to match customer tastes. Benetton utilizes Supply-Chain Management principles and practices in order to better fit to market changes and to manage its network of suppliers and manufacturers. The Supply chain management (SCM) applications are back-end applications designed to link suppliers, manufacturers, distributors, and retailers in a cohesive production and distribution network and thus allow to track and streamline the flow of materials and data through the process of manufacturing and distribution to customers. By enabling greater data sharing between supply chain partners, SCM applications improve production efficiency and flexibility. The sharing of information improves the collaboration between supply chain partners. The company can monitor sales, and when a product is sold-out, such information is sent to specific manufacturers based on the typology of the collection and to delivery times. If new items are required in Europe, the committed manufacturers are located in Europe (Croatia, Italy) or in Middle-East countries, which enable a more rapid supply than Asian countries. The system allows helping to keep track of market trends in real time and to gather reliable and analytical information from all owned stores.

3rd Change: Automated logistics and warehousing multi-hub model

Asian subcontractors often provide a 'full package production', which includes also the logistics and the quality control reducing enormously transactional costs. Benetton provides the supplier with the design of a garment, often a draft. The final product is manufactured and sourced by external subcontractors and stocked in the main warehousing center. The Benetton Group has two main hubs, one located in Castrette

(Italy) and another one located in Hong Kong (Asia), which stocks all the items coming from worldwide manufacturers.

This multi-hub model is supported by a centralized information technology (IT) system, which coordinates and optimizes product deliveries according to required dates and destinations, providing the timeliness of information as well as a better control of the business. The two HUBs connect the different suppliers and manage the entire production process from raw materials to final product and allocate production tasks among their SMEs according to path-dependent skills and capabilities. All products return to the HUBs, from where they are sent out to the 6200 proprietary and independent retailers of all over the world.

Benetton keeps a direct control of the logistics phase and has invested heavily in automating logistics processes which was done with an attempt to achieve total integration within the production cycle, from customer orders to packaging and delivery. The investments in automated logistic processes have allowed the Benetton's logistic agency (Benlog) to handle 10.000.000 items/month and to obtain a 7 days lead-time, a leading performance for the industry (Ghezzi, 2009). The new system is more efficient, flexible, and integrated, and makes it possible to optimize quality, service, and product delivery times, while being able to sustain desired growth in production over the coming years.

These transformations in the company's logistics and operations have enabled to increase the number and structure of collections. Before 2003, retailers had to order the most of the items (80%) before the beginning of the commercial season and only two collections were available, the Spring/Summer and the Autumn/Winter. The rest of the items (reassortments or flash) were mainly reorders and, only in small amounts, orders of new products designed during the selling season (20-30%) (Crestanello and Tattara, 2009).

Because of this rigidity, customers searching for the last fashion trends did not return to the shops. To face this problem, the Benetton Group has increased the number of collections and decreased the amount of orders received before the selling season. The traditional seasonal collection was substituted by two main collections (*Contemporary 1* and *Contemporary 2*) articulated in 4 launches: Spring, Summer, Autumn, and Winter with a time-to-market between 4-8 months (Benetton, 2013). In addition, in order to favour customers' footfall to shops, Benetton has introduced new collections during the selling season:

- *Trends,* a collection more sensitive to the fashion tendencies with time-to-market between one and four months;
- *Just in time,* a collection that aims to satisfying sensitive customers fashion;
- *Continuative items,* these items represent the core of the Benetton collection and are manufactured in stocks and brought to the market in a very short time (7 days in Italy and 15 days throughout the rest of the world);
- *nice price articles*, which are basic yet original and are inspired by the practical needs of day-to-day living.

In the contest of broadening the production variety, the increasing of foreign supplying, in particular from Asia, has deepened Benetton's logistic problems (Crestanello and Tattara, 2009). However, products and collections more sensitive to trends are manufactured in Eastern Europe countries (like Hungary, Romania Tunisia, Croatia) or Mediterranean countries (like Turkey and Tunisia), because the transportation from these countries is more rapid and enables to respond more quickly to customer taste changes. To this regard, Walter Giuriato, head of the Product Development Unit, says: 'we are working to provide the necessary creativity in the design of our collections, taking into account the demands of rationalization and organization, so as to combine product innovation and planning in a quick and effective response to the needs of the marketplace' (Benetton, 2005).

4th Change: The delocalization of the manufacturing and of trusted relationships

Benetton is still renowned in the international literature to be a firm that manufactures the majority of its products in Italy (Berger, 2005; Tokatli, 2008). Until 2003, 48% of the production was still manufactured abroad and 62% in Italy (41 million items). However, today the most of the production is realized in Asia (especially in China and India) and other Eastern countries (Hungary, Romania Tunisia, Croatia). Production abroad increased in just one year, between 2004 and 2005, by 13 million items (Crestanello and Tattara, 2009). In 2007, the Italian suppliers produced only 10.3% (15 million items) of garments, while the rest was produced in Asia (32%), in Tunisia (20%) and in East European countries (28.5%) (Crestanello and Tattara, 2009). Accordingly, the Italian subcontractors belonging to the industrial district suffered a decrease of commitments and consequently rising unemployment rates. The number of subcontracting firms in the industrial district in Treviso diminished between 2007 and 2008 from 208 to 116 and very few of them still remain today (Crestanello and Tattara, 2009). However, many of them were convinced by the Benetton's to delocalize their plants in Eastern European countries. This was mainly due to the high importance given to 'familial', strong ties and trusted relationships with suppliers and retailers (Barela, 2003), which is always been in the *dna* of the company. In particular, the trust created with these suppliers represented for Benetton an asset too important for its growth and for reducing the threat of opportunistic behaviours. The importance of trusted suppliers was in fact a very important condition for a safe delocalization and for maintaining high quality standards. Italian subcontractors have new roles: they guarantee the flexibility of the value chain, and solve problems arising in dealing with distant sourcing from Eastern countries such as: transport delays, errors in production plants, product faults, and so on (Crestanello and Tattara, 2009). The delocalization has provided to the Benetton Group huge costs savings because of the lower labour cost, the use of cheaper local raw materials, and because of the advantage deriving from the use of dollars in transactions with Asian partners.

Benetton performance as a Market-driven company

The Benetton Group's network is today made of over 6,400 stores, the Group employs 9,557 people and is present in 120 countries around the world and generates a total turnover of over 2 billion euros (Benetton, 2012).

The change in market orientation has taken place between 2003 and 2004; from the analysis of financial data from 2004 to 2011, the adoption of a market-driven orientation appears to have benefited the company's revenues for a relatively short period of time, namely the first four years. The revenues of the Benetton Group had started to decline in 2002. After a period of settlement that was needed to implement the strategy change (2003-04), the Benetton Group has restarted to grow until 2008, when revenues have started to decline again (see Table 1).

Thus, from these data gathered we cannot conclude that market-driven guarantees a long-term competitive advantage. If Benetton' sales have decreased by 1% in 2011; H&M and Zara, who are first-movers in adopting a market-driven orientation, in the same year have seen an increase of their sales of 8% and 12% respectively. Moreover, a closer look at Zara's revenues in the last decade (see Table 2), enables us to state that a market-driven orientation enhances long-term performance. It appears that the early adoption of a market-driven approach to the market can be critical in achieving and keeping leadership positions in an industry. Therefore, it seems that Benetton has been too late in adopting the change in its market orientation, while its competitors have benefited of the first-mover advantage.

The negative results of the Benetton Group can be only partially explained by the double-dip economic recession, which has deeply hit the company's most important markets (i.e., Italy, Spain, and Greece) and has fostered the expansion of low-cost retailers such as Zara and H&M.

--------------------------ADD TABLE 1 AND TABLE 2 HERE----------------------------

Discussion

This paper advances the literature on market-driving and market-driven management by analysing the change in the market orientation from a market-driving to a market-driven orientation achieved by the Benetton Group. The Benetton group has been presented in literature as a typical market-driving company due to its strategy being aimed at leading the change through continuous innovations and for its attempt to drive consumer needs by using innovative advertising styles and his unique brand image (Kumar et al., 2000). In this study we have documented how the Benetton Group has been forced to reorganize its entire value chain in order to respond to successful market-driven competitors such as Zara and H&M. In order to face competition and to adopt a more flexible, rapid, and adaptive approach to the market, the company has transformed its orientation to the market, from market-driving to market-driven. This approach clearly highlights the importance for the company of adapting and satisfying customers' ever changing fashion trends better than competitors rather than creating new needs and trends through radical innovations, as it is the case for market-driving companies. Accordingly, Benetton has reshaped marketing communications investments and creativity is now subject to market trends, which influences also the production process. The main challenge for the company is to be able to analyze and respond to customer's needs more rapidly and effectively than in the past. The ownership of retailers shops has given the company full control over the installation of modern information & communication systems which have fostered a more frequent and rapid transfer of strategic information about customer preferences and needs from retailers to designers to manufacturers, who produce and ship the quantity needed in a shorter period of time compared to the past. Logistics have become more flexible, responsive, efficient and rapid enabling the company to reduce lead times, which has enabled the increases in the number and variety of collections. The efficiency in the logistics and operations is in fact crucial to permit that the new items reach the different markets as soon as possible in order to optimize sales. Flexible production and rapid logistics therefore have become paramount for adapting quickly and effectively to the needs of the market, also thanks to a modern system of scheduling and planning that manage complex situations of medium and long-term supply.

The current case study also contributes to the scant literature studying the long-term effects of a market-driven orientation on business performance (Kumar et al., 2011). The passage from a market-driving to a market-driven orientation appears to have benefited the Benetton Group but only in the short-run. In fact, the company has been capable of inverting the declining trend in revenues initiated in 2002 (see Table 1) and restart its growth in the following years with alternate results. The findings suggest that the growth of Benetton in terms of revenues has been sustained only for a short period of time (the subsequent four years) following the implementation of the market-driven approach. These findings do suggest that a market-driven orientation may not be able to sustain competitive advantage in the long run. However, we highlight the importance of taking into account also the intensity of competition, and in particular the number of early adopters of market-driven orientation in this relationship. It seems that a first-mover advantage applies in the adoption of the market-driven orientation. In fact, we have seen that a first-mover in the adoption of a market-driven orientation such as Zara has sustained sales growth in the last decade, while a follower like Benetton has experienced a constant decline of its revenues due to its inability to cope with new competitors. Thus, the Benetton's decline of sales may be attributed to it being late in adopting the market-driven approach to the market. In fact, Zara, H&M are all first-movers in the adoption of a market-driven approach, which has enabled them to gain and leverage competencies and capabilities and to establish their brands in the different market. Therefore, market-driven competitors have benefited of the first mover advantage of adopting this approach to the market. Accordingly, the time advantage is critical in adopting a market-driven orientation especially for global corporations like Benetton. Large corporations need time to assimilate and implement the capabilities and competencies that are needed to implement a market-driven approach. However, this has enabled Zara and other companies to establish their brands into the different fashion markets and to make perceive the Benetton brand as an old brand incapable to follow fashion trends, in one word 'out of fashion'.

Additionally, it is important to point out that other environmental conditions may have contributed to the Benetton's decline of revenues in the last few years. The economic situation has deteriorated in the primary markets of the Benetton Group, such as Italy, Greece, and Spain. The double-dip recession has certainly favoured the growth of fashion retailers offering trendy products at cheap prices, such as Zara and H&M, and now Primark.

The results of this study have important implication for practitioners in the fashion industry, in particular for managers that are planning to change the strategy of their company in order to adopt a market-driven approach. Managers can learn from this study how to implement a market orientation change (from market-driving to market-driven), so they can better and more precisely plan the allocation of investments and the required organizational changes.

Finally, this study has some limitations; the most important one is of it being a single case study focused on a single industry (fashion retail) so as the findings might not be generalizable to other industries. A larger sample might help to strengthen the results of this study across different industries.

Conclusion

This study has described the principal transformations the Benetton Group has gone through in an attempt to change its orientation to the market: from a market-driving orientation to a market-driven orientation. The main transformations that have permitted the company to implement this strategy change to happen have been discussed in this paper, namely: the delocalization of the manufacturing while keeping relationships with trusted suppliers; downstream/vertical integration (acquisition of retailers); the adoption of a flexible, efficient and responsive operations and logistics;

the implementation of a modern information systems infrastructure. Additionally, this study has discussed the importance of mediating factors such as the stability of the economic environment and the first-mover advantage in adopting a market-driven orientation, which also contribute in explaining the benefits of the market-driven orientation in the long-run.

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Year	*2011*	*2010*	*2009*	*2008*	*2007*	*2006*	*2005*	*2004*	*2003*	*2002*	*2001*	*2000*
Revenues	2,03	2,05	2,04	2,1	2,0	1,9	1,7	1,6	1,8	1,9	2,0	2,0
%	-1	0,2	-3,7	3,9	9,1	8,3	3,6	-9,3	-6,7	-5,0	3,9	-
Net Income	77	102	122	155	145	125	112	123	108	[10]	148	243

Table 1. Benetton revenues (product and service sales) (in billion euros) and net income, 2000-2012 (in million euros)

Year	*2011*	*2010*	*2009*	*2008*	*2007*	*2006*	*2005*	*2004*	*2003*	*2002*	*2001*	*2000*
Net Sales	13,7	12,5	11,0	10,4	9,4	8,1	6,7	5,6	4,6	3,9	3,2	2,6
%	10	14	12	14	22	22	21	23	16	22	24	27
Net income	1,946	1,741	1,314	1,253	1,250	1,002	803	639	448	438	340	259

Table 2. Inditex Group net sales, 2000-2012 and net income (in billion euros).